

Post-2006 Initiative
Issue Comments
Building Owners and Managers Association of Chicago
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Introduction

For the first time since the enactment of the Customer Choice and Rate Relief Law of 1997, the State of Illinois is confronted with revisiting major policies for the electric power industry. In 1997 the challenge facing stakeholders centered on transitioning to a competitive environment while simultaneously allowing utilities to prepare for full open-access through the collection of transition charges. The challenge facing policy makers on January 1, 2007 will be to end the transition period and establish new permanent policies for a full and competitive open access environment.

BOMA/Chicago has been vocal participant for the roughly eight years of this process. BOMA has advocated first and foremost for a market that provides customers with low cost, price stable and reliable electric supply. While recognizing that compromises and special considerations are necessary, BOMA continues to believe that the creation of an efficient competitive market is the optimum way to accomplish these goals.

In order to ensure the most cost-effective and stable rates possible, BOMA/Chicago believes seven major areas must be explicitly addressed. These include:

- The Customer Transition Charge
- Rate stability/rate shock
- Rate unbundling
- Inter-class subsidies
- Default service
- Demand-side management programs
- Market power issues.

BOMA/Chicago appreciates the Commission's leadership in recognizing the issues that face all stakeholders at the end of the transition period. After its participation in the workshops, BOMA will more fully explore its policies relating to the ninety-six questions provided to parties. For now, BOMA provides the Commission with the above mentioned seven policies the Commission should consider when implementing changes to the electric structure.

The Customer Transition Charge

The original language of the Act ensured protection of the utilities through a transition charge. BOMA/Chicago has argued vigorously that the level of compensation to the utilities has been generous, perhaps excessively so. We take this opportunity to now state very strongly that the utilities have been compensated for any past commitments and they should not be allowed to extend the recovery of transition cost recovery.

Rate Stability/Rate Shock

For many electric consumers, especially commercial and industrial entities, price stability is of paramount importance. While BOMA/Chicago believes that an efficient competitive market is the optimum means to ensure such stability, it also recognizes that even beyond the transition period, inherent structural inefficiencies will exist. Some of these inefficiencies may be due to public policy initiatives. Others (such as the Rider 25 Space Heat program) may arise out of decades-old utility and/or Commission decisions. For this reason, it is incumbent upon the Commission to proactively intervene in those areas where the competitive market is unable to provide the desired rate stability or avoid potential rate shock.

Rate Unbundling

Price transparency is a critical issue to many of the questions facing the Commission. Competitive markets demand price transparency in order to operate effectively and provide customers clear price signals. Regulated portions of electric service require transparency in order to equitably allocate common costs (e.g., distribution and transmission costs) between customer groups. For this reason we are strongly advocating that tariffs in the future be completely unbundled regardless of whether customers receive service from a competitive supplier, through a “bundled” (non-competitive) service or some “generic” default service.

Inter-class Subsidies

Recognizing that in some instances rate stability and rate shock issues take precedence, BOMA/Chicago is a strong advocate of a “cost-causer pays” policy in the setting and regulating of rates. This policy should apply within the various customer rate classes and across rate classes. Cross-subsidies between customers should be avoided as a matter of principle .

Default Service

A default service rate is needed for customers not electing a competitive supplier, or those for whom a supplier ceases operations. BOMA/Chicago understands that the provision of such service may entail additional costs for the utility but fears that in some cases default rate pricing may include a “punitive” component. BOMA/Chicago advocates that this safety net service should provide customers with a reliable “generic” service, without excessive costs and uncertainty.

Demand-Side Management

BOMA/Chicago is a major advocate of energy efficiency and demand reduction. Included in the member’s budgets are significant expenditures for energy efficiency and demand reduction.

Advances in markets and technology can provide some retail electric customers the ability to manage their demand in response to market conditions. However, in some cases regulatory and other obstacles make this difficult or impossible. To maximize energy efficiencies and demand reductions, BOMA therefore advocates that clear market based price signals need to be available for customer usage. This is critical if programs are to be developed to encourage economic and efficient customer behavior.

In this way customers will be empowered to participate in retail and wholesale markets through demand-side measures to the fullest extent possible. This will further help to create proper incentives to attract future generation and transmission upgrades, stabilize prices and reduces stress on the grid.

Market Power

A new bulk power market is currently being created in Illinois. The implementation of the PJM Interconnect in the ComEd control area and the Midwest ISO in the balance of the state will introduce significant changes to the market. This raises a number of issues regarding both retail and wholesale markets. Unfortunately, individual stakeholders addressing these issues are hampered by both financial constraints and questions of bias.

BOMA/Chicago therefore advocates that the Illinois Commerce Commission retain an independent consultant to perform detailed modeling of the region to determine a) what affects the current changes will have on retail customers and, b) what policies might be entertained in order to benefit stakeholders.